

Message Text

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PAGE 01 NEW DE 06322 031013Z
ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 INT-05 /023 W
-----031043Z 106893 /13

R 030746Z MAY 77
FM AMEMBASSY NEW DELHI
TO USDOC WASHDC
INFO SECSTATE WASHDC 3121
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS NEW DELHI 6322

DEPT PLEASE PASS TO USGS AND USBURMINES

E.O. 11652: N/A
TAGS: BEXP EMIN IN
SUBJECT: PROPOSED EAST COAST ALUMINA PLANTS

REF: USDOC WASHDC 04700

1. PLEASE PASS THE FOLLOWING MESSAGE TO MR. J. LOUIS REYNOLDS
CHAIRMAN OF THE BOARD, REYNOLDS METALS WHICH RESPONDS TO
REFTEL:

(1) BAUXITE RESERVES

A. ANDHRA PRADESH STATE (MILLION TONS)

I. POSSIBLE	200
II. PROBABLE	150
III. PROVED	30

TOTAL: 380

B. ORISSA STATE (MILLION TONS)

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I. POSSIBLE	210
II. PROBABLE	260
III. PROVED	30

TOTAL: 500

IN ADDITION, SEVERAL NEW DEPOSITS IN THE SAME REGION HAVE BEEN IDENTIFIED AND PRELIMINARY ESTIMATES PLACE THE RESERVES AT 1,000 MILLION (1BILLION) TONS. THE DETAILED EXPLORATION REPORTS ARE UNDER COMPILATION AND WILL BE AVAILABLE BY JULY/AUGUST 1977.

(2) BAUXITE DEPOSITS OCCUR 1,000 METERS ABOVE SEA LEVEL AND THE TERRAIN IS UNDULATORY. THE SEA IS AT A DISTANCE VARYING BETWEEN 100 TO 250 KM. LATERITE/BAUXITE IS EXPOSED ON THE SURFACE AND THE OVERBURDEN THICKNESS IS HARDLY ONE METER AT PLACES. VEGETATION IS NIL TO SCANTY.

(3) THE TYPICAL ANALYSIS OF THE ORE LIKELY TO FEED THE TWO PLANTS IS AS FOLLOWS:

CONSTITUENT	ANDHRA		ORISSA	
	PRADESH	DEPOSITE-I	DEPOSITE-II	
	PERCENT	PERCENT	PERCENT	
AL ₂ O ₃	46.0	44	46	
SIO ₂	2.5	2.5	3.0	
FE ₂ O ₃	22.0	26.0	23.0	
TIO ₂	2.5	2.5	2.0	
L.O.I.	27.0	25.0	25.0	

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THESE ARE TYPICAL VALUES. THE ROM COMPOSITION IS YET TO BE ESTABLISHED.

(4) THE BAUXITE IS PRESENT IN THE FORM OF A MASSIVE BLANKET. THE AVERAGE THICKNESS VARIES BETWEEN 10 AND 30 METERS IN VARIOUS DEPOSITS.

(5) GOVERNMENT OWNS THE BAUXITE DEPOSITS AND THE MINING LEASE WILL BE GIVEN TO BALCO. EQUITY PARTICIPATION IN THE ALUMINA PLANT DOES NOT GURARANTEE EQUITY POSITION IN THE BAUXITE RESERVES. HOWEVER THE EQUITY PARTICIPANT IN THE ALUMINA PLANT WILL BE ASSURED OF BAUXITE FROM THE BALCO LEASED MINES WHICH WOULD HAVE RESERVES ENOUGH TO LAST FOR AT LEAST 30 YEARS OF OPERATION.

(6) YES. TRADING IN BAUXITE IS POSSIBLE. DECISION ON THIS WILL BE TAKEN BY GOVERNMENT OF INDIA AFTER REVIEWING THE POSITION OF BAUXITE RESERVES WHICH ARE UNDER EXPLORATION. THE TECHNO-ECONOMIC FEASIBILITY OF ALUMINA EXPORT VIS-A-VIS

BAUXITE WILL ALSO BE CONSIDERED BASED ON THE RECOMMENDATIONS OF THE FEASIBILITY STUDIES FOR THE PROPOSED ALUMINA PLANTS AND BAUXITE MINES. DUE TO SHORTAGE OF ELECTRIC POWER, METAL PRODUCTION HAS NOT BEEN PROVIDED FOR JUST NOW. THERE IS A VERY GOOD POWER POTENTIAL IN THE AREA, BOTH HYDEL AND THERMAL (COAL). IF EQUITY PARTICIPANTS ARE IN A POSITION TO PROVIDE FUNDS THROUGH BORROWINGS, THE GOVERNMENT WOULD CONSIDER THE MANUFACTURE OF ALUMINIUM METAL ALSO FOR EXPORT.

(7) THE TYPE OF PARTICIPATION WILL COVER ALL STAGES FROM THE FEASIBILITY STUDY UPTO A CONTINUING TECHNICAL SERVICE CONTRACT. THERE IS POSSIBILITY OF EQUITY PARTICIPATION INCLUDING TRADING IN BAUXITE AS WELL AS AQMINA.

(8) WE WILL PREFER TECHNICAL COLLABORATION WITH PARTIES OFFERING TO ENTER INTO LONG TERM CONTRACT FOR PURCHASE
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OF ALUMINA AND ALUMINIUM AGAINST ADVANCE PAYMENTS OVER A LONG-TERM PERIOD OF SAY 10 YEARS.

(9 AND 10) THIS INFORMATION COULD BE SUPPLIED DURING THE DISCUSSION RELATING TO PREPARATION OF THE FEASIBILITY REPORT.

COMMENTS: SUBSEQUENTLY, BALCO'S CHAIRMAN, A.N. BANERJEE, INFORMED THE EMBASSY'S RESOURCES ATTACHE THAT THE GOI NOW APPEARS TO BE LEANING STRONGLY IN FAVOR OF AN ALUMINUM PLANT FOR THE EXPORT OF ALUMINUM METAL IN LIEU OF ALUMINA TO GAIN THE ADVANTAGE OF THE ADDED VALUE, IF FINANCING CAN BE ARRANGED ALONG THE LINES OF THE KUDREMUKH IRON ORE PROJECT. THIS IS IN SHARP CONTRAST TO THE PREVIOUS ADMINISTRATION'S POLICY OF SEEKING FOREIGN KNOW HOW FOR THE ALUMINA PROJECT ONLY. ACCORDING TO BANERJEE THE GOI PREFERS A MAJOR INTERNATIONAL ALUMINUM PRODUCER WHICH COULD PROVIDE THE TECHNOLOGY, A MARKET AND PERHAPS SOME OF THE FINANCING TO BE REPAYABLE IN TERMS OF ALUMINIUM AND POSSIBLE ALUMINA AND/OR BAUXITE.SCHNEIDER

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